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U.S. DEPARTMENT OF JUSTICE

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Western District of Missouri

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TIME: _____

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Phone #: FTS: 867-5186Type of Document: News ReleaseNumber of Pages: 4
(+ cover sheet)

Remarks:

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89144

SUPERFUND RECORDS

Site: Martha C. RoseID# MOD980633069Break: 13.3

Other: _____

4/3/90

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APRIL 3, 1990**

The former president and owner of the now-defunct Martha C. Rose Chemicals of Holden, Missouri, was sentenced today in U.S. District Court, Kansas City, Missouri, to two years imprisonment and a \$10 thousand fine in the largest environmental fraud case in the Western District of Missouri.

Walter C. Carolan, 57, of Mission Hills, Kansas, had pleaded guilty on October 26, 1989, to two counts charging Carolan with conspiring to defraud the U.S. Environmental Protection Agency (EPA) and with filing a false report on the concentration levels of PCBs in water discharged from a retention pond on the Rose Chemical property. He was sentenced by U.S. District Judge Scott O. Wright.

U.S. Attorney Jean Paul Bradshaw II said the charges followed an almost three-year joint investigation by the EPA and the FBI into allegations that PCB-contaminated items were being illegally handled and disposed of at the Rose Chemical facility. In early 1986, Rose officials abandoned the PCB disposal facility in Holden, Missouri, leaving behind more than 13 million pounds of PCB materials. This led to a massive and ongoing multi-million dollar clean up and decontamination operation at the Holden facility.

"We are very pleased with the outcome of the Rose Chemical case," Bradshaw said. "It is important to show other persons who may consider similar illegal acts that they will be prosecuted and will go to jail for their actions."

PCBs (polychlorinated biphenyls) are highly toxic substances which are not biodegradable but, rather, accumulate in the environment and in the fatty tissues of humans, fish and animals. Extensive research has shown a link between PCBs and various health problems, including the formation of malignant and benign tumors, fetal deaths, reproductive abnormalities and mutations. Also, experiments have shown that PCBs attack the immunological system and affect the production of enzymes. PCBs were formerly used in the production of electric transformers and capacitors and the disposal of such items is now tightly regulated.

The indictment last March charged Walter C. Carolan, James B. Carolan, 31, former general manager of the plant, Christopher B. Gosch, 46, former director of sales and marketing, Sharon Hayes, 41, former office manager, and Dwight E. Thomas, Jr., 48, former director of research and development and supervisor of the laboratory at Rose Chemical, with various counts related to the mishandling of PCBs.

All five officials were charged with conspiracy to defraud the EPA in its enforcement of laws and regulations relating to the use, treatment, transportation, storage and disposal of PCBs by the altering and falsifying of laboratory tests, material logs and other required reports to falsely show Rose was properly disposing of PCB items, by falsely stating the levels of PCBs and other pollutants in water discharged from the Rose Chemical Plant, by storing PCB contaminated items longer than permitted by EPA regulation, by falsifying records of PCB destruction to justify payments from customers and by destroying records to conceal their conspiracy. The indictment charged this conspiracy occurred from September 1, 1982, until July 1, 1986.

"The potential public health and environmental problems with PCBs underscore the importance of strict enforcement of the laws regulating their disposal," said Morris Kay, EPA Regional Administrator. "We are pleased with the outcome of this case."

FBI

Thirty counts of the original forty-one count indictment charged Walter C. Carolan and Thomas with falsifying decontamination records and laboratory tests on PCB transformers to show they had been decontaminated in compliance with an EPA permit; and filing two false reports on the concentration level of PCBs in water discharged from a retention pond on the Rose Chemical property. Another count charged Thomas with mailing a fraudulent letter and laboratory test to the Kansas City EPA office in October 1984, regarding testing conducted at the plant. Ten additional counts in the indictment charged Gosch, Thomas, Walter C. Carolan and James B. Carolan with improperly storing 1,123,042 pounds of PCB capacitor cores in bags at the Rose facility in violation of EPA regulations and with using the mail to defraud customers, including the Missouri Public Service Company, Kansas City Power and Light Company, Illinois Power Company and other generators of PCB items, in order to receive payment under contract with these companies. As a result, these companies were later required to pay others for the handling and disposal of the same PCB materials.

On July 14, 1989, both Sharon Hayes and Christopher Gosch pleaded guilty to charges they conspired to defraud the EPA. On February 13, 1990, Hayes was sentenced to three years probation and fined \$200. On February 21, 1990, Gosch received a sentence of three months in prison to be followed by three years probation. James B. Carolan pleaded guilty on October 4, 1989, to the charge that he conspired to defraud the EPA and is scheduled to be sentenced for his role on April 12, 1990. On October 27, 1989, Dwight Thomas pleaded guilty to the same two charges as Walter Carolan and is expected to be sentenced on April 5, 1990.

The first indictment in this case was returned on August 17, 1987, charging Patrick E. Perrin, former plant manager of Rose, with eleven counts of falsifying documents related to the handling of PCBs. Perrin plead guilty to one of these charges and on July 21, 1988, was sentenced to two years in prison.

The case was prosecuted by Assistant United States Attorney Daniel Stewart.